

# McWATTERS GOLD MINES, LIMITED

## ***ANNUAL REPORT***

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YEAR ENDED DECEMBER 31, 1965

# McWATTERS GOLD MINES, LIMITED

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OFFICERS	G. D. PATTISON . . . . . <i>President</i>
	S. A. PERRY . . . . . <i>Vice-President</i>
	R. D. BELL . . . . . <i>Secretary-Treasurer</i>
	W. E. ESSERY . . . . . <i>Assistant Secretary-Treasurer</i>

DIRECTORS	R. D. BELL . . . . . Toronto, Ontario
	G. D. PATTISON . . . . . Toronto, Ontario
	S. A. PERRY . . . . . Toronto, Ontario
	W. W. WEBER . . . . . Toronto, Ontario
	HARLOW H. WRIGHT . . . . . Toronto, Ontario

TRANSFER AGENT AND REGISTRAR	EASTERN & CHARTERED TRUST COMPANY . Toronto, Ontario
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AUDITORS	RIDDELL, STEAD, GRAHAM & HUTCHISON . Toronto, Ontario
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HEAD OFFICE	SUITE 509, 25 ADELAIDE STREET WEST . . Toronto, Ontario
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# McWATTERS GOLD MINES, LIMITED

Suite 509, 25 Adelaide Street West

TORONTO 1, ONTARIO

## *Report of the Directors*

To the Shareholders,  
McWATTERS GOLD MINES, LIMITED.

Presented herewith is the financial statement of your Company for the year ended December 31, 1965, with Auditors' Report thereon dated April 6, 1966.

In June, 1965, your Company acquired an option to purchase a group of seventy-one mining claims located in the southwest quarter of Carman Township, Porcupine Mining Division, Ontario. Geophysical surveys were completed on these claims during the winter and a program of diamond drilling is now in progress to test the anomalous areas outlined. Although some sulphide mineralization has been encountered in the eleven holes drilled to date, it is considered to be of no economic interest. Four holes remain to be drilled in the current program of work.

Early this year the Company acquired an option to purchase twenty-two mining claims in Eldorado Township, Porcupine Mining Division, Ontario. Geophysical surveys carried out over this property failed to reveal any areas of interest. The Company intends to perform a further exploration program on the claims this summer consisting of surface prospecting, geological mapping and a geochemical survey if warranted.

During the past year no further work was performed on the group of fifty-four mining claims located in Langmuir Township, Porcupine Mining Division, Ontario. Metallurgical test work was performed on a sample taken from the nickel mineralized zone on the property to determine probable grade of concentrate and recovery. The results of the work carried out on the property to date were reviewed by Walter F. Brown, P.Eng., an independent Consulting Engineer. The following excerpts are taken from his report dated October 22, 1965:

### "INTRODUCTION

The purpose of this report is to review the results of surface diamond drilling on the Langmuir Township, Ontario property of McWatters Gold Mines, Limited and make an economic evaluation of the indicated nickel-bearing deposit.

### ORE ESTIMATE

Based on the surface diamond drilling holes and allowing for 15% dilution at 0.25% nickel there is indicated:

	Tons	Nickel %
Lower zone . . .	165,790	1.92
Upper zone . . .	477,770	0.77
Total . . . . .	643,560	1.07

### METALLURGY

Metallurgical test work on a sample from the 'Lower Zone' assaying 2.2% nickel indicates that a nickel concentrate grading 18% - 19% can be made with a recovery of 86% - 88%.

Tests on a sample from the 'Upper Zone' assaying 0.82% nickel indicate that a nickel concentrate grading 18% - 19% can be made with a recovery of 75% - 77%.

Based on the fact that the average grade of the indicated ore is lower than the above samples and on the advice of a Consulting Metallurgist, a recovery of 85% with a nickel concentrate grading 15% for the 'Lower Zone' and a recovery of 75% with a nickel concentrate grading 15% for the 'Upper Zone' is used in this report.

#### CONCLUSIONS

Total estimated operating profit from the indicated deposit is \$1,523,606 at a price of \$0.84 Can. per pound of nickel. The deposit is uneconomic as the cost of the necessary preproduction work and the capital cost of a mining and milling plant would be well in excess of the estimated operating profit."

The dispute between the Company and Quebec Manitou Mines Limited over the Langmuir Township claims as outlined in Note 3 to the accompanying financial statement has not yet been resolved.

You will note from the accompanying balance sheet that the Company remains in a strong financial position.

Submitted on behalf of the Board of Directors,

G. D. PATTISON,  
President.

Toronto, Ontario,  
May 6, 1966.



# McWATTERS GOLD MINES, LIMITED

## *Auditors' Report*

To the Shareholders,  
McWATTERS GOLD MINES, LIMITED.

We have examined the accompanying financial statements of McWatters Gold Mines, Limited for the year ended December 31, 1965, comprising the balance sheet as at that date and the statements of exploration and development expenses, and deficit for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Subject to the outcome of the dispute over ownership of the mining claims in Langmuir Township, referred to in Note 3 to the financial statements, in our opinion the aforementioned financial statements present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

RIDDELL, STEAD, GRAHAM & HUTCHISON  
Chartered Accountants.

Toronto, Ontario,  
April 6, 1966.

# McWATTERS GOLD

(Incorporated under The

*Balance*

AS AT DECEMBER 31, 1935

## *Assets*

### CURRENT ASSETS

Cash .....	\$ 250,335
Government of Canada bonds — at cost (value at quoted market price \$44,375) .....	50,000
Interest bearing deposit with broker — Note 1 .....	856,090
Accounts receivable .....	2,488
Advance to The International Helium Company Limited — Note 2 .....	300,000
Total current assets .....	<u>\$ 1,458,913</u>

### INVESTMENT IN OTHER MINING COMPANIES

Shares at cost (value at quoted market prices \$62,100) — Note 2 .....	\$ 15,429
Shares at nominal value (including investment in affiliated company) ....	<u>3 15,432</u>

### PROPERTY AND RELATED EXPENDITURES

54 unpatented mining claims staked by the company in Langmuir Township, Ontario, at cost, including exploration costs of \$164,277 — Note 3 .....	\$ 166,046
60 unpatented mining claims staked by the company in the Territory of Abitibi, Quebec, at cost, including exploration costs of \$27,593 .....	31,193
Option to purchase 71 unpatented mining claims staked in the Township of Carman, Ontario — exploration costs .....	8,666 205,905
	<u>\$ 1,680,250</u>

Approved on behalf of the Board

"G. D. PATTISON," *Director.*



# MINES, LIMITED

(Companies Act of Canada)

## Sheet

PER 31, 1965

### *Liabilities*

#### CURRENT LIABILITIES

Accounts payable and accrued ..... \$ 11,280

### *Shareholders' Equity*

#### CAPITAL STOCK

Authorized —

5,000,000 shares of no par value

Issued and fully paid —

1,025,000 shares — for property ..... \$ 110,000

3,257,506 shares — for cash ..... 1,567,170

4,282,506 ..... 1,677,170

DEFICIT ..... 8,200 1,668,970

\$ 1,680,250

of the Board:

"R. D. BELL," Director.

# McWATTERS GOLD MINES, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1965

### 1. INTEREST BEARING DEPOSIT WITH BROKER

Subsequent to December 31, 1965, the company withdrew its interest bearing deposit with a broker and invested \$1,000,000 in short term deposits with a chartered bank.

### 2. INVESTMENT IN OTHER MINING COMPANIES

Included are 40,000 shares of The International Helium Company Limited which were donated to the Company in consideration for the company having advanced \$400,000 to International Helium at 6½ % interest. The advance has been repaid, \$100,000 prior to and \$300,000 subsequent to December 31, 1965. The value of the International Helium shares at the quoted market price on December 31, 1965 was \$54,000. They are reflected in the accounts at their transfer cost of \$103.

### 3. PROPERTY AND RELATED EXPENDITURES

Ownership of the company's 54 mining claims in Langmuir Township is under dispute. Under date of May 31, 1962, the company and Quebec Manitou Mines Limited (hereinafter referred to as Manitou) agreed to share equally all staking, exploration and development costs incurred on these claims. In the event that either company did not contribute its full one-half share of such costs, the respective interests of the companies would be adjusted to the same ratio as their respective contributions with the provision that either company's interest could not be reduced to less than 10%.

As at December 31, 1963, Manitou had contributed only \$6,586 of its one-half share which amounted to \$31,386 thereby reducing its interest in the claims to approximately 10%. Under the agreement Manitou would have the right to reinstate its interest to 50% by reimbursing the company for all amounts paid on account of Manitou's share of exploration costs and expenses plus a penalty of 50% of all such amounts. Accordingly, Manitou would have been required to make a payment to the company of approximately \$37,000 to reinstate its interest of 50% at December 31, 1963.

Before commencing further exploration work in 1964, the company asked Manitou if it intended to make the required payment of \$37,000. Manitou stated that it was unable to do so and simultaneously the company offered to repay to Manitou its contributions to date if the latter would relinquish its interest in the claims. Certain officials of Manitou verbally agreed to this and accordingly the company asserts its right to full ownership of the claims, and the exploration and development costs as at December 31, 1963 were restated to give effect to this verbal agreement. Manitou denies any such verbal agreement and the company understands that Manitou intends to take legal action to have its interest, if any, resolved. The company is prepared to defend any such action.



# McWATTERS GOLD MINES, LIMITED

## STATEMENT OF EXPLORATION AND DEVELOPMENT EXPENSES FOR THE YEAR ENDED DECEMBER 31, 1965

	Balance December 31, 1964 (Note 3)	Expenditures for the Year	Written Off to Deficit	Balance December 31, 1965
<b>LANGMUIR TOWNSHIP</b>				
Survey .....	\$ 8,125	\$ 850	—	\$ 8,975
Line cutting .....	2,830	—	—	2,830
Consulting .....	11,688	9,928	—	21,616
Drilling .....	53,049	51,872	—	104,922
Assays .....	4,720	3,276	—	7,995
Supplies, transport, wages and general	11,319	6,620	—	17,939
	<u>91,731</u>	<u>72,546</u>	<u>—</u>	<u>164,277</u>
<b>TERRITORY OF ABITIBI</b>				
Survey .....	2,822	—	—	2,822
Line cutting .....	2,498	—	—	2,498
Consulting .....	2,960	—	—	2,960
Drilling .....	14,199	—	—	14,199
Assays .....	367	—	—	367
Supplies, transport, wages and general	4,267	480	—	4,747
	<u>27,113</u>	<u>480</u>	<u>—</u>	<u>27,593</u>
<b>CARMAN TOWNSHIP</b>				
Survey .....	—	4,350	—	4,350
Line cutting .....	—	4,316	—	4,316
	<u>—</u>	<u>8,666</u>	<u>—</u>	<u>8,666</u>
GENERAL EXPLORATION .....	<u>—</u>	<u>244</u>	<u>244</u>	<u>—</u>
TOTAL EXPLORATION AND DEVELOPMENT EXPENSES ....	<u>\$ 118,844</u>	<u>\$ 81,936</u>	<u>\$244</u>	<u>\$ 200,536</u>

# McWATTERS GOLD MINES, LIMITED

## STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1965

DEFICIT AS AT DECEMBER 31, 1964 .....		\$ 592,284
Deduct —		
Interest earned .....	\$ 47,995	
Less —		
Administrative expenses —		
Administrative fees .....	\$ 6,000	
Audit fees .....	500	
Directors' fees .....	2,000	
Legal fees .....	2,301	
Office and general .....	1,276	
Registrar and transfer agent's fees .....	3,117	15,194
		32,801
Profit on sale of investments .....	552,027	584,828
		\$ 7,456
Add —		
Exploration expenses on properties abandoned .....		244
Advance to affiliated company written-off .....		500
DEFICIT AS AT DECEMBER 31, 1965 .....		\$ 8,200





